The 1929 wall street stock market crash

Business

As the United States of America entered the year 1929, shortly after World War I, the Great Wall Street Crash occurred. October 29, 1929, otherwise known as Black Tuesday, was the date of the greatest and most devastating stock market crash in the history of the United States. Previously, the US was experiencing the Roaring Twenties, a period of wealth, excess, and post war optimism. America's industrial and agricultural businesses continued to flourish, providing the ongoing rise of the stock market and thus the United States economy. The population began to believe that this rise would never cease; it would sustain a steady increase with war efforts out of the way.

A mini crash occurred as now large businesses faulted, uncovering the instability and the dangers of the market. Later that year was when disaster struck the US and threw millions of citizens into unemployment and poverty. The Great Crash brought widespread and long-lasting consequences to the United States, marking the dramatic end of the Roaring Twenties, and unquestionably marked the beginning of the following Great Depression. According to many creditable sources, The Wall Street Stock Market Crash of 1929 contributed to and market the beginning of the Great Depression in the United States. Earlier in the Roaring Twenties, the United States experienced their second industrial revolution, later called the Technological Revolution, that sparked interest in the stock market. However, agricultural and industrial businesses began to produce more than what the population could handle, resulting in workers being released, prices falling, and factories closing.

The stock market acted the same way; there was a dramatic increase in price after businesses executed their production, and many believed the

market would remain growing without a taxing war. Overproduction hit the stock market hard, as stated in the journal, “ An Empirical Analysis of Uncertainty and Investment During the Great Depression,” written by David Zalewski, which demonstrates how citizens immediately fell into a state of economic depression and financial downfall as this revolution ended. In this journal, the text states, “ Uncertainty associated with financial crises, political turmoil, and a breakdown of international cooperation replaced the optimism and confidence that characterized the 1920s” (Zalewski 428). The Roaring Twenties had dramatically ended, with the entirety of the United States in a major predicament. Recently, the expectations of those in the United States crashed when businesses failed; they had shifted from overproduction to underproduction. The shock created by the crash totaled the expectations of every individual in the country, which were previously abnormally high due to the state of overproduction.

As shown in the article, “ The Great Depression as Historical Problem,” written by Michael A. Berstein, exhibits these expectations of the commonality by expressing the extraordinary decline in business stock. In this article, the text states, “ The dramatic decline in consumption expenditures after 1929 may have been due to the stock market debacle; it may have arisen once expectations had been dampened by the events after 1929” (Bernstein 4). Bernstein shows in his text how the overproduction of goods led to the stock market’s dramatic crash, ultimately causing the decline of consumption. Overall, the citizens of the United States experienced a remarkable crash in the stock market due to their abnormally

high expectations of the businesses and their overconfidence in the stock market.

The banks in the United States during this Roaring Twenties period also proved to be extremely weak, not only with each individual bank but with the entirety of the banking system. The Federal Reserve Banking System was blamed for the weakness in the structure at the time, mainly for failing to support the citizens fairly who kept their reserves in the banks. Those who were sent into unemployment by major businesses and overproduction rapidly withdrew their earnings from the banks in the United States, causing more of a dilemma. The banks slowly went bankrupt one by one, causing a chain reaction from the decline of transactions and small amount of wealth circulation. The public confidence in banks rapidly deteriorated, leading to those still in jobs withdrawing their deposits as well. People additionally withdrew their money from shares of stock to avoid losing it in possible banking crashes, which did occur in 1930, 1931, and 1933.

Money was hoarded across the country to resist against a banking crisis rooted from the Wall Street Crash, as demonstrated in the journal, “ The Great Depression and History Textbooks,” written by Thomas F. Cargill and Thomas Mayer. In the text of this journal, it states, “ With the Federal Reserve not maintaining bank reserves as a frightened public drew currency out of banks, three massive waves of bank failures occurred” (Et al. 447). According to Cargill and Mayer, currency supply and transaction amounts in banks were significantly less in 1930 due to the way the public now viewed the banks.

The money supply of banks in the United States fell by almost one-third in the 1930-1933 period, interpreted by the public as a major risk to keep money in banks after the Wall Street Crash. The journal, “ An Empirical Analysis of Uncertainty and Investment During the Great Depression,” mentioned earlier, describes how the amount of risk climbed to an amount that scared citizens and put them in a state of panic. In this journal by David Zalewski, it states, “ On the other hand, the risk premium rises steadily during the banking crises of 1930 and 1931” (Zalewski 429). In this quote, Zalewski explores the risk premium from the perspective of the people, and how they may have fealt about risking their wealth by keeping it in banks. Overall, the Wall Street Crash eventually lead to the banking crises of 1930, 1931, and 1933, which showed how unstable the banking system in the United States was and how dramatic the consequences of an inconsistent economy could be. The overall inconsistency of the United States economy can also be traced back to the Wall Street Crash of 1929.

With unstable banks and frightened citizens, the economy frequently experienced substantial rises and declines in the state of the economy. Inflation repeated its course when the US went through mini stock market crashes, but as the Great Crash happened the country struggled to heave its banking system out of the hole the Federal Reserve dug. The lack of recovery is related to the financial instability was demonstrated by the mini crash of the stock market during the second industrial revolution and the three banking crises between 1930 and 1933. Both events and the Wall Street Crash are directly connected to the panic selling and pessimism the population encountered towards the end of the Roaring Twenties. In the

article, “ The Great Depression as Historical Problem,” Bernstein exhibits the Stock Market Crash of 1929 along with the Great Depression to emphasize the importance of a stable economy.

In the text of the article, it states, “ The shock to confidence was so severe and unexpected that a dramatic panic took hold, stifling investment and thereby a full recovery” (Bernstein 4). Bernstein conveys the anomalously slow recovery by explaining how remarkable the Great Crash was, and how this stunned the citizens of the United States who were already struggling. Additionally, Cargill and Mayer, the authors of the article, “ The Great Depression and History Textbooks,” express how the United States had always experienced economic inconsistency, but never to the extent of the Great Crash. In this article, the text states, “ The United States economy has experienced several of them severe, but only once the catastrophic decline in economic activity that took place in the 1930s” (Et al. 447). Overall, the structural weakness and instability of the United States economy roots from the unstable banks and pessimistic people, which also led to the abnormally slow recovery from the Wall Street Crash.

According to creditable sources, the unemployment rates and the systematic faults in the banking system were not common scenarios in the United States economy, which contributed to the most catastrophic financial event in the history of the United States. The second industrial revolution occurred allowing for mass production, but this led to overproduction, less consumption, and unemployment. The banking system and stock market proved to be a weak foundation in the economy, which also allowed for the crash and sent even more citizens into a state of poverty. The inconsistent

economy was not recognized until it was too late; the financial state of millions of individuals was compromised because of the shock and surprise the Wall Street Stock Market Crash created. For a country to become and remain financially stable, they must provide a strong and consistent foundation through banks for citizens to rely on.

If the United States had done this, the effects of the Wall Street Crash of 1929 may have been dampened and may not have caused the greatest financial depression in US history. Works Cited Bernstein, Michael A. “ The Great Depression as Historical Problem.” OAH Magazine of History, vol. 16, no. 1, 2001, pp.

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